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INSIGHTS IN THIS ISSUE:

Bilateral Talks on Decontrol of Japanese Beef and Citrus Imports Make Minor Headway 1

Japan Expresses Concern Over Unitary Tax Issue 2

EC Continues to Pressure Japan on Trade Issues 3

Inter-Ministerial Committee Issues Draft of Japanese Foreign Economic Policy 4

Senate Finance Committee Considers Future of U.S. Basic Industries 5

Bilateral Industrial Policy Talks Continue in Tokyo 6

Planned GM-Toyota Venture Reaches Preliminary Agreement with UAW 7

MITI Revises Energy Forecasts 7

Nakasone, Opposition Square Off Over Defense 9

Bilateral Talks on Decontrol of Japanese Beef and Citrus Imports Make Minor Headway

Bilateral discussions on liberalization of Japan's import quotas on beef, oranges and citrus juice, stalemated for the past year because of the hard-line approach of both sides, resumed in Tokyo September 14. With President Reagan's visit to Japan less than two months away, negotiators for Japan as well as the United States were anxious to make progress on this divisive issue. These hopes were largely dashed. The talks did not break down like the October 1982 negotiations (see JEI Report No. 42B, October 29, 1982), but

machine tool maker Houdaille Industries, Inc., opinions are mixed concerning the lack of movement. There is a view that this apparent holding pattern is indicative of a change in administration policy vis-a-vis Japan, away from a very hardline, combative approach to one that emphasizes the importance of a healthy alliance. Critics of Japanese trading practices, however, are quick to point out that this is yet another example of Tokyo's footdragging on a matter of economic self-interest.

Barbara Wanner

Planned GM-Toyota Venture Reaches Preliminary Agreement with UAW

The joint U.S. car manufacturing venture proposed by General Motors Corp. and Toyota Motor Corp. scaled one of the two major hurdles in its path last week when negotiators for the automakers signed a letter of intent with the United Auto Workers (UAW) union regarding labor relations. As expected (see JEI Report No. 29B, August 5, 1983), the pact includes concessions by both sides. For their part, union officials accepted the partners' position that the joint venture, to be located at GM's now-idle Fremont, California asembly plant, is a new company. Management will therefore not have to hire workers from the pool of laid-off UAW members on the basis of seniority. In return, though, the two auto giants committed themselves to hiring a majority of the plant's hourly workforce from among former Fremont workers.

This commitment represents a major concession by Toyota executives, who had insisted that the joint venture's success depends on a free hand in hiring. The Japanese motor vehicle manufacturer also apparently lost out on the issue of wage scales since the new company is expected to pay employees wages comparable to those found in the rest of the U.S. auto industry. Negotiators for Toyota and GM did prevail on the issue of job classifications, with the union agreeing to considerably fewer categories than are typical of current Big Three contracts.

While the labor agreement with the UAW eliminates a major potential stumbling block, the GM-Toyota venture must still win antitrust clearance from the Federal Trade Commission (FTC) before it can get off the ground. Originally, the agency had planned to complete its review by June or July. This in-house deadline was later pushed back to September after the FTC asked the two automakers for a large volume of additional documentation. With Toyota just now submitting the last of the material requested, a commission decision is still some time off. While project officials maintain that the delay in FTC approval will not postpone their timetable for car production beginning in late 1984, industry observers say the joint venture will not be able to start up until some time in 1985 because most equipment for the Fremont facility has apparently yet to be ordered.

Susan MacKnight

MITI Revises Energy Forecasts

Rapidly changing circumstances have prompted the Japanese government to revise last April's long-term energy estimate. Japan's energy demands continue to decline as structural changes and conservation efforts pay off. Japan's dependence on imported oil as a percentage of total energy consumption has declined from 78 percent in 1973 to 62 percent in 1982. In August, the Comprehensive Energy Policy Council, an advisory group to the Ministry of International Trade and Industry (MITI), recommended a reduction of energy demand estimates for FY 1990. In FY 1982, energy demand was the equivalent of 380 million kiloliters of oil. The council estimated that in FY 1990 total demand will

Japan's Revised Long-Term Energy Demand and Supply

(as of August 1983)

	FY 1982 Actual		FY 1990 August 1983 Projection		FY 1990 April 1982 Projection		FY 1995 August 1983 Projection	
	Volume	Composition*	Volume	Composition*	Volume	Composition*	Volume	Composition*
Total Demand (million kl)	380.0		430.0-450.0		563.0		480.0-510.0	
Supply Sources								
Coal (million mt)	94.5	18.5%	107.3-113.3	17.6-18.5%	153.0	19.5%	115.2-136.6	17.3-20.3%
Nuclear Power (million kw)	17.34	6.9	35.0	10.5-11.1	46.0	11.3	48.0-50.0	14.9-15.7
Natural Gas (million kl)	27.0	6.9	56.15-60.4	12.2-13.1	68.0	11.5	65.26-68.74	13.1-13.7
Hydroelectric Power (million kw)	33.31	5.6	38.0-38.8	5.7-5.8	45.5	5.0	41.0-43.0	5.6
Geothermal Power (million kw)	0.4	0.1	1.5-2.0	0.3-0.4	6.0	1.0	3.5-4.0	0.7-0.8
New Energy Sources (million kl)	0.9	0.2	7.4-11.8	1.6-2.6	15.0	2.5	15.1-25.7	3.0-5.1
Oil (million kl)	240.0	61.8	240.0-250.0	52.0	290.0	49.1	240.0-250.0	48.0
Total Supply (million kl)	389.0	100.0	450.0-480.0	100.0	590.0	100.0	500.0-550.0	100.0

*Converted into oil equivalent. May add up to more than 100 percent because of the ranges projected.

Source: Ministry of International Trade and Industry, MITI Gazette (Tsusan Koho), August 24, 1983.

reach the equivalent of 430-450 million kiloliters of oil. The revision upgraded the use of coal and nuclear energy slightly, while natural gas usage was projected to fall. On the other hand, since dependence on oil is expected to lessen, the ratio of oil will fall to less than 50 percent of total demand.

The council said that OPEC's decision to cut the price of oil in March changed assumptions underlying the estimate. OPEC's production has declined by 40 percent since 1979 and its share of world supply has dropped from 59 percent in 1979 to 45 percent in 1982. At the same time, non-OPEC countries have steadily increased production.

With rising costs in oil and other energy resources, the Japanese government is now seeking a balance between cost and energy security factors. After the first oil crisis, Japan tended to concentrate on procurement rather than on prices. But tight government budgets have forced officials to reconsider their priorities. Recently, the council recommended shifting oil storage from expensive tankers to land facilities. A selective approach to energy development is also recommended, and coal liquefaction and gasification will be upgraded.

Declining demand has been attributed in large part to the industrial response. Dependence on oil in the manufacturing sector fell from 38 percent of total energy consumption in 1977 to 28 percent by 1981, saving more than ¥300 billion ($1.2 billion). The saving was also apparent in the electric power industry where utility companies have been shifting to other energy sources. However, the major investment by the industry has been completed and there is not expected to be further dramatic progress. The latest revision of long-term energy supply and demand is provided in the accompanying table.

Fumiko Mori

Nakasone, Opposition Square Off Over Defense

Prime Minister Nakasone took the offensive last week in challenging the Japan Socialist Party's (JSP) "unarmed neutrality" concept. In a heated Diet debate, the prime minister engaged Masashi Ishibashi of the JSP, the largest opposition party, in a two-hour discussion — the first time a prime minister has openly discussed his defense philosophy. The JSP official line is that hardware defenses in the nuclear age are meaningless for Japan once it is attacked. The only path, according to Mr. Ishibashi, is non-alliance. The party opposes the U.S.-Japan Security Treaty and advocates its abolition.

Mr. Nakasone attacked the unarmed neutrality concept as unrealistic and dangerous, asserting that the balance of power and the deterrent it represents has been a stabilizing factor in the Far East. He maintained that the U.S.-Japan security alliance and improvements in Japan's Self-Defense Forces are the most effective protection for Japan. Putting aside ideological differences, Mr. Ishibashi said he was not convinced that the United States would honor the security treaty by sending troops in time to rescue Japan from foreign aggression, and that it would be impossible to protect Japan with Self-Defense Forces numbering only 240,000.

The prime minister took Mr. Ishibashi to task for implying that surrender was preferable to fighting in his book, On Unarmed Neutrality. Mr. Nakasone emphasized that political leaders who espoused such statements invited foreign powers to regard Japan as an easy target. It was obvious that Mr. Nakasone was referring to the Soviet Union. While the two leaders are well known for their policy differences, the fact that the issue was singled out for debate was a radically new political experience. Mr. Nakasone's